

**SATANTA RECREATION COMMISSION  
SATANTA, KANSAS**

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**FINANCIAL STATEMENTS  
with  
INDEPENDENT AUDITOR'S REPORT  
YEAR ENDED JUNE 30, 2012**

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**SATANTA RECREATION COMMISSION  
SATANTA, KANSAS**

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**INDEPENDENT AUDITOR'S REPORT**

Satanta Recreation Commission  
Satanta, Kansas

We have audited the accompanying financial statements of the Satanta Recreation Commission, a discretely presented component unit of Unified School District No. 507, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the guidance in the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note A, Satanta Recreation Commission has prepared these financial statements in conformity with the accounting practices prescribed or permitted by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

Further, in our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Satanta Recreation Commission as of June 30, 2012, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Satanta Recreation Commission, as of June 30, 2012, and their respective cash receipts and expenditures, and budgetary results, for the year then ended on the basis of accounting described in Note A.

*Kennedy McKee & Company LLP*

November 27, 2012

**SATANTA RECREATION COMMISSION**  
**SATANTA, KANSAS**

**SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH**

Year ended June 30, 2012

	Primary Government <u>Satanta Recreation Commission</u>	Component Unit <u>Cimarron Valley Golf Association</u>	<u>Total</u>
Unencumbered cash, beginning of year	\$ 401,812	\$ 25,661	\$ 427,473
Cash receipts	250,651	133,251	383,902
Expenditures	<u>(237,064)</u>	<u>(161,529)</u>	<u>(398,593)</u>
Unencumbered cash, end of year	415,399	(2,617)	412,782
Add outstanding encumbrances and accounts payable	<u>6,216</u>	<u>9,848</u>	<u>16,064</u>
Cash balance, end of year	<u><u>\$ 421,615</u></u>	<u><u>\$ 7,231</u></u>	<u><u>\$ 428,846</u></u>
Composition of cash:			
Checking	\$ (48,409)	\$ 631	\$ (47,778)
Money market	469,024	6,600	475,624
Petty cash	<u>1,000</u>	<u>-</u>	<u>1,000</u>
	<u><u>\$ 421,615</u></u>	<u><u>\$ 7,231</u></u>	<u><u>\$ 428,846</u></u>

The accompanying notes are an integral  
part of the financial statements.

**SATANTA RECREATION COMMISSION**  
**SATANTA, KANSAS**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL -  
PRIMARY GOVERNMENT**

Satanta Recreation Commission

	Year ended June 30,			
	2012			Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Transfer from U.S.D. 507:				
Rec Commission/CVGA	\$ 156,997	\$ 163,294	\$ 165,000	\$ (1,706)
Golf Course	78,428	81,286	82,500	(1,214)
Interest	1,948	1,445	1,500	(55)
Donations	1,765	150	1,500	(1,350)
Miscellaneous	9,668	3,476	4,200	(724)
Grants	-	1,000	-	1,000
Total cash receipts	248,806	250,651	\$ 254,700	\$ (4,049)
Expenditures:				
Salaries	65,145	73,832	\$ 86,000	\$ 12,168
Programs	33,435	42,335	114,900	72,565
Equipment and improvements	9,254	3,220	170,000	166,780
Utilities	8,974	8,585	16,000	7,415
Miscellaneous	14,087	13,681	27,000	13,319
Transfer to Cimarron Valley Golf Association	100,000	95,411	100,000	4,589
Total expenditures	230,895	237,064	\$ 513,900	\$ 276,836
Receipts over (under) expenditures	17,911	13,587		
Unencumbered cash, beginning of year	383,901	401,812	\$ 394,338	\$ 7,474
Unencumbered cash, end of year	\$ 401,812	\$ 415,399	\$ 135,138	\$ 280,261

The accompanying notes are an integral  
part of the financial statements.

**SATANTA RECREATION COMMISSION**  
**SATANTA, KANSAS**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - COMPONENT UNIT**

Cimarron Valley Golf Association

	Year ended June 30,	
	2011	2012
Cash receipts:		
Transfer from Satanta Rec Commission/CVGA	\$ 80,645	\$ 83,274
Charges for services	45,816	44,221
Donations	5,756	5,658
Interest	142	98
Total cash receipts	<u>132,359</u>	<u>133,251</u>
Expenditures:		
Personal services	58,585	45,748
Commodities	21,277	36,752
Contractual services	60,345	76,029
Capital outlay	-	3,000
Total expenditures	<u>140,207</u>	<u>161,529</u>
Receipts over (under) expenditures	(7,848)	(28,278)
Unencumbered cash, beginning of year	<u>33,509</u>	<u>25,661</u>
Unencumbered cash, end of year	<u>\$ 25,661</u>	<u>\$ (2,617)</u>

The accompanying notes are an integral  
part of the financial statements.

**SATANTA RECREATION COMMISSION  
SATANTA, KANSAS**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of significant accounting policies applied in the preparation of the accompanying financial statements is presented to assist the reader in understanding the Satanta Recreation Commission's financial statements, which are presented in conformity with the cash basis and budget laws of the State of Kansas. The financial statements and notes are the representation of the Commission's management, which is responsible for their integrity and objectivity. The amounts shown for 2011 in the accompanying financial statements are included, where practicable, only to provide a basis for comparison with 2012, and are not intended to present all information necessary for a fair presentation in accordance with the basis of accounting described below.

**1. Reporting entity**

The Satanta Recreation Commission is a discretely presented component unit of Unified School District No. 507. Four of the five members of the governing board are appointed by the Board of Education. The Commission operates as a separate governing body but the USD levies the taxes for the Commission and the Commission has only the powers granted by statute, K.S.A. 12-1928. The Commission cannot purchase real property but can acquire real property by gift.

*Blended component unit.* The Cimarron Valley Golf Association manages the golf course. The Association elects all seven of its Board of Directors, but receives a significant portion of its operating revenue from the Recreation Commission. The Association can sue and be sued, and enter into contracts and lease agreements for real and personal property.

**2. Fund accounting**

The accounts of the Recreation Commission are organized on the basis of funds. In governmental accounting, a fund is designated as a sum of money or other resources segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations and constituting an independent fiscal and accounting entity. Resources are allocated to and for individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The following funds comprise the financial activities of the Commission for the year ended June 30, 2012:

**GOVERNMENTAL FUNDS**

**General Fund**

The general fund is used to account for all financial transactions.

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3. Basis of accounting

*Statutory Basis of Accounting.* The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and expenditure is charged in the fund from which the transfer is made.

The Commission has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Commission to use the statutory basis of accounting.

*Departure from Accounting Principles Generally accepted in the United States of America.* The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. A Statement of Net Assets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance is not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences is not presented in the financial statements.

### 4. Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for the general fund. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in adoption of the legal annual operating budget:

- a. Preparation of the budget for the succeeding calendar year on or before August 1<sup>st</sup>.
- b. Publication in local newspaper on or before August 5<sup>th</sup> of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15<sup>th</sup>, but at least ten days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25<sup>th</sup>.



## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4. Budgetary information (continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments during the current year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures. A budget comparison statement is presented for the general fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

The legal annual operating budget is prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

### 5. Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts and the disclosures at the date of the financial statements. Actual results could differ from those estimates.

## B. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the Commission. The statute requires banks eligible to hold the Commission's funds to have a main or branch bank in the county in which the Commission is located, or in an adjoining county if such institution has been designated as an official depository, and the banks to provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Commission has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Commission's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Commission has no investment policy that would further limit its investment choices.

*Custodial credit risk - deposits.* Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits may not be returned to it. State statutes require the Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Commission does not have a designated "peak period".

## B. DEPOSITS AND INVESTMENTS (CONTINUED)

At year-end the Commission's carrying amount of deposits was \$421,615 and the bank balance was \$473,284. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$251,000 was covered by FDIC insurance, and \$222,284 was collateralized with securities held by the pledging financial institutions' agents in the Commission's name.

## C. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical needs of employees. The Commission purchases commercial insurance to cover health, property, liability, and workers' compensation claims. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in any of the past three years.

## D. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 27, 2012, the date on which the financial statements were available to be used. Management's evaluation concluded that there are no subsequent events that are required to be recognized or disclosed in these financial statements.